

Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FEAE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
OPIC-03 AGRE-00 IO-13 /137 W
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R 081155Z AUG 77
FM AMEMBASSY RABAT
TO SECSTATE WASHDC 2773
AMEMBASSY MOSCOW
INFO AMEMBASSY AMMAN
AMEMBASSY LOME
AMEMBASSY NOUAKCHOTT
AMEMBASSY PARIS
AMEMBASSY TUNIS

C O N F I D E N T I A L RABAT 4354

E.O. 11652: GDS
TAGS: EMIN ETRD MO UR
SUBJECT: SOVIET-MOROCCAN AGREEMENT ON MESKALA PHOSPHATE
DEVELOPMENT

REF: RABAT 3999

1. AS FOLLOW-UP TO AMBASSADOR'S JULY 13 MEETING WITH
PHOSPHATE OFFICE (OCP) DIRECTOR GENERAL KARIM LAMRANI
REPORTED REFTEL, EMBOFF CALLED ON OCP PLANNING AND
DEVELOPMENT DIRECTOR FETAH TO DISCUSS MESKALA DEAL.
2. IN ADDITION TO CONFIRMING THAT AGREEMENT CALLS FOR USSR
TO FINANCE IMPORTS OF WESTERN EQUIPMENT, FETAH PROVIDED
ADDITIONAL DETAIL ON SPECIFIC PROVISIONS OF THE ACCORD:

A) RESALE BY USSR OF MESKALA PRODUCTION. FETAH STATED
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"OCP WILL NEVER LET THE RUSSIANS BECOME OCP'S COMMERCIAL
AGENT". SOVIET REFUSAL TO ACCEPT RE-EXPORT LIMITATIONS WAS
A KEY FACTOR BLOCKING AGREEMENT IN EARLIER NEGOTIATIONS.

B) PRICE. PHOSPHATE ROCK PRICES ARE TO BE DETERMINED AT
REGULAR INTERVALS AND WILL FOLLOW THE WORLD PRICE. THE
AGREEMENT CONTAINS NO LONG-TERM FIXED PRICE, SINCE SUCH AN

ARRANGEMENT WOULD BE INHERENTLY UNSTABLE, GIVEN THE DYNAMICS OF WORLD PHOSPHATE PRICE FLUCTUATIONS.

C) TIME FRAME. ONCE THE AGREEMENT IS SIGNED (PRESUMABLY IN OCTOBER 1977), FOUR TO FIVE YEARS WILL BE NEEDED FOR GEOLOGICAL AND MINERALIGICAL STUDIES OF THE MESKALA AREA. SOVIET EXPERTS ARE TO PARTICIPATE IN PREPARING THESE STUDIES. ONCE THE STUDIES ARE COMPLETED, ANOTHER FIVE YEARS WILL BE REQUIRED TO BRING THE MINE INTO PRODUCTION. IT IS IMPOSSIBLE TO DETERMINE, BEFORE THE STUDIES ARE COMPLETED, WHICH PROCESSES AND TYPES OF EQUIPMENT WILL BE NEEDED FOR THE MINING OPERATION.

D) MINE CAPACITY. PRELIMINARY STUDIES INDICATE A CAPACITY OF AROUND TEN MILLION TONS PER YEARS FROM THE MESKALA OPERATION.

E) ANNUAL SHIPMENTS. THE AMOUNT OF MESKALA ROCK TO BE SHIPPED TO THE USSR HAS NOT YET BEEN DETERMINED. FETAH STATED THAT NEWSPAPER CLAIMS OF 5-TO-10 MILLION TON SHIPMENTS PER YEAR WERE INACCURATE AND THAT THESE FIGURES MUST REFER TO MINE CAPACITY, SINCE TONNAGES TO BE SHIPPED WERE STILL UNDER DISCUSSION.

3. OCP HAS HELD SEPARATE DISCUSSIONS WITH THE SOVIETS (NOT DIRECTLY RELATED TO THE MESKALA AGREEMENT) CONCERNING THE CONFIDENTIAL

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SALE OF PHOSPHATE ROCK AND PHOSPHORIC ACID TO THE USSR WELL BEFORE MESKALA COMES ON STREAM. THESE PRODUCTS WOULD COME FROM EXISTING FACILITIES AT KHOURIBGA, YOUSOUFIA AND SAFI.

4. COMMENT: SINCE MESKALA SHIPMENTS WILL NOT MATERIALIZE UNTIL MID TO LATE 1980'S, MOST SIGNIFICANT NEAR TERM EFFECTS ON MOROCCAN PHOSPHATE INDUSTRY AND INTERNATIONAL PHOSPHATE TRADE PATTERNS LIKELY TO RESULT FROM NEGOTIATIONS ARE DESCRIBED IN PARA 3 ABOVE. THESE TALKS PROVIDE INTERESTING NEW FACET TO USSR-OCP RELATIONSHIP, WHICH BEARS CLOSE MONITORING BY WASHINGTON, MOSCOW AND RABAT.
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